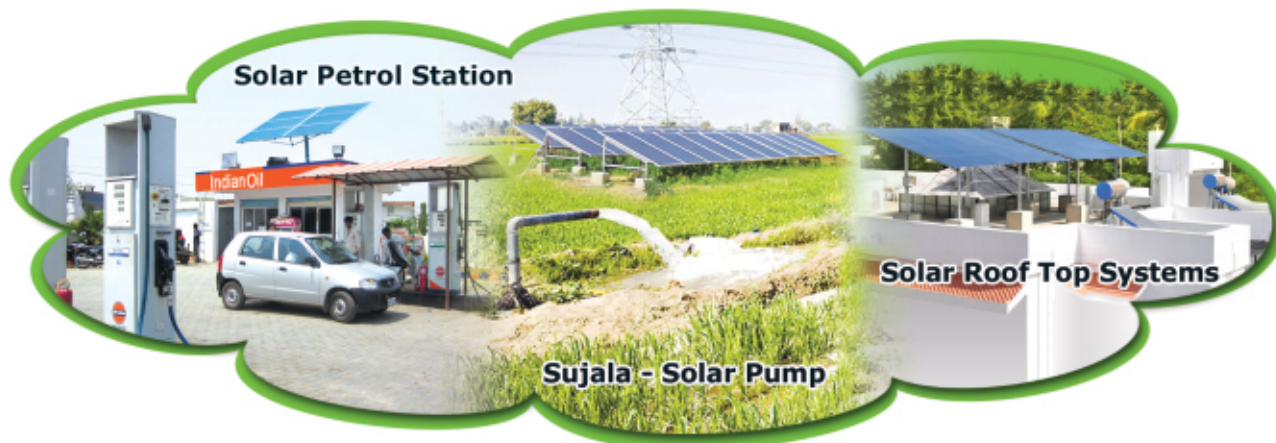


# 27<sup>th</sup> Annual Report

2012 - 13

## HBL Green Initiatives



HBL Power Systems Limited

[www.hbl.in](http://www.hbl.in)

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## Financial Year 2012 - 13

### Board of Directors

Dr. A J Prasad, Chairman & Managing Director  
Mr. M S S Srinath  
Mrs. Kavita Prasad  
Mr. P Ganapathi Rao  
Mrs. Preeti Khandelwal  
Mr. V V S Ravindra  
Mr. Sanjiv Singhal  
Mr. Ajay Bhaskar Limaye

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### Audit Committee

Mr. P Ganapathi Rao, Chairman of the Committee  
Mrs. Kavita Prasad  
Mr. V V S Ravindra  
Mrs. Preeti Khandelwal

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### Company Secretary

Mr. M V S S Kumar

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### Registered Office

8-2-601, Road # 10  
Banjara Hills  
Hyderabad – 500 034

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### Auditors

M/s Satyanarayana & Co.,  
Chartered Accountants  
Amar Mansion, Ranigunj,  
Secunderabad-500 003

M/s. Rao & Kumar  
Chartered Accountants  
10-19-15, Soudamani, Seripuram,  
CBM Compound, Visakhapatnam - 530003.

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### Cost Auditors

M/s. Narasimha Murthy & Co.  
Cost Accountants, Hyderabad

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### Bankers

State Bank of India  
State Bank of Hyderabad  
IDBI Bank Ltd.  
Axis Bank Ltd  
ICICI Bank Ltd

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### Registrar and Share Transfer Agents

M/S Karvy Computershare Private Limited  
17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081  
Phone nos. 040-23420815-20  
Fax: 040-23420859



## NOTICE

NOTICE is hereby given that the Twenty-Seventh Annual General Meeting of the Members of HBL POWER SYSTEMS LIMITED will be held at KLN Prasad Auditorium, Federation of Andhra Pradesh Chambers of Commerce and Industry, 11-6-841, Red Hills, Hyderabad 500 004 on Saturday, the 28<sup>th</sup> day of September, 2013 at 4.00 p.m. to transact the following business.

### ORDINARY BUSINESS:

1. To receive, consider and adopt Audited Balance Sheet as at 31st March 2013 and the Profit and Loss Account for the year ended on 31st March 2013, together with the Directors' Report and the Auditors' Report thereon.
2. To declare Dividend for the year ended 31st March 2013.
3. To appoint a Director in place of Mr. MSS Srinath, who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors for the year 2013-14 till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

"RESOLVED THAT M/s. Satyanarayana & Co, Chartered Accountants, Secunderabad, and M/s. Rao & Kumar Chartered Accountants, Visakhapatnam, retiring auditors be and are hereby appointed as Joint Auditors for the financial year 2013-14 to hold office till the conclusion of the next Annual General Meeting at a remuneration and reimbursement of out-of pocket expenses, if any, as may be decided by the Board".

### SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Mr. Ajay Bhaskar Limaye, who was appointed as an Additional Director of the Company on 14th February, 2013 and is eligible to hold office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director liable to retiring by rotation."

For and on behalf of the Board

Place: Hyderabad.

Date : 14th August, 2013

**MVSS Kumar**

Company Secretary

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member.
2. Proxies, in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office or Investor Service Department of the Company not less than 48 hours before the commencement of the meeting.
3. The Explanatory Statement, as required by Section 173(2) of the Companies Act, 1956 in respect of item No.5 set out above is annexed hereto.
4. The Register of Members and Share transfer books of the Company shall remain closed from 23<sup>rd</sup> September, 2013 to 28<sup>th</sup> September, 2013 (both days inclusive).
5. The dividend, if any, declared would be paid to those members whose names appear on the Register of Members in case of electronic holding as on 23<sup>rd</sup> September, 2013 and for the members holding in physical mode as on 28<sup>th</sup> September, 2013.
6. Members desirous of making nomination in respect of their shareholding may approach the Company for obtaining prescribed form and return the same duly filled in and signed for registration with the Company.
7. Members are requested to intimate immediately their change of address to the Company, quoting Registered Folio Number, Change in the address, if any, with the Pin Code Number.
8. Members attending the meeting are requested to bring with them the Attendance slip attached to the Annual Report duly filled in and signed and hand over the same at the entrance of the hall.
9. As a part of a Green Initiative in the Corporate Governance, the Ministry of Corporate Affairs, vide its Circular No.17/2011 dated 21<sup>st</sup> April 2011 permitted service of notices and documents in electronic mode. Hence, members are requested to register their e-mail ID's with the Company's Registrar and Transfer Agent, Karvy Computershare Private Limited at the address given in the Corporate Governance section.



## EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

### ITEM NO. 5

Mr. Ajay Bhaskar Limaye has been appointed as an Additional Director on the Board of the Company w.e.f. 14<sup>th</sup> February, 2013. He has 18 years of experience in the investment industry in India. During this period, he has been involved in managing various types of funds including Private Equity Fund (diversified growth capital), Venture Capital fund, Technology Fund, Infrastructure Fund and Special Situations Fund, besides listed market investments. Mr. Limaye is a CFA Charter holder with prior qualification as an Engineer with an MBA in Finance.

In accordance with the provisions of the Companies Act, 1956 his name has been proposed for appointment as Director of the Company at this Annual General Meeting. Hence, your Directors recommend acceptance of the proposed resolution in the best interest of the Company.

Mr. Ajay Bhaskar Limaye is concerned or interested in the aforesaid resolution.

For and on behalf of the Board

Place: Hyderabad.

Date : 14th August, 2013

**MVSS Kumar**

Company Secretary

## BRIEF PARTICULARS OF DIRECTORS PROPOSED FOR RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

(In pursuant to clause 49 of the Listing Agreement)

Name of the Director	<b>Mr. M S S Srinath</b>
Date of Birth	23.04.1969
Date of first appointment	24.11.1997
Qualification	BA (Economic Hons)
Expertise in specific functional area	Overall the Marketing activities and other administrative affairs of the company.
Details of other Directorships	Beaver Engineering & Holdings Limited Kairos Engineering Limited Naval Systems and Technologies Private Limited Igarashi Motors India Limited
Details of Committee and membership status	NIL

Name of the Director	<b>Mr. Ajay Bhaskar Limaye</b>
Date of Birth	20.05.1969
Date of first appointment	14.02.2013
Qualification	CFA Charter holder with prior qualification as an Engineer with an MBA in Finance
Expertise in specific functional area	Over 18 years of experience in the investment industry in India. During this period, he has been involved in managing various types of funds including Private Equity Fund (diversified growth capital), Venture Capital fund, Technology Fund, Infrastructure Fund and Special Situations Fund, besides listed market investments.
Details of other Directorships	Data Patterns (India) Private Limited
Details of Committee and membership status	NIL

## DIRECTORS' REPORT

Dear Members

Your Board of Directors take pleasure in presenting the 27th Annual Report for the financial year ended on 31st March 2013. The financial performance is presented below (stand-alone basis).

(Rs. In Lacs)

S.No.	Particulars	2012-13	2011-12
1	Net Sales	<b>1,19,741.69</b>	1,08,952.93
2	Other Income	<b>913.19</b>	1,647.21
3	Total Income	<b>1,20,654.88</b>	1,10,600.15
4	Total Expenditure	<b>1,04,773.27</b>	96,013.28
5	Profit before interest, depreciation and tax (PBIDT)	<b>15,881.61</b>	14,586.87
6	Finance Cost	<b>9,339.84</b>	8,980.87
7	Depreciation & Amortisation expenses	<b>4,008.50</b>	3,436.12
8	Profit before tax (PBT)	<b>2,533.26</b>	2,169.88
9	Provision for tax & tax adjustment	<b>488.84</b>	1,209.73
10	Net Profit after Tax (PAT)	<b>2,044.42</b>	960.15
11	Transfer to General Reserve	<b>500.00</b>	500.00
12	Earnings Per Share (Diluted EPS of Rupees)	<b>0.81</b>	0.38
13	Proposed Dividend (on face value of share Re 1 each)	<b>15%</b>	15%

### Performance Review 2012-13:

Overall Income of the Company for the year 2012-13 was recorded at Rs. 120654.88 lacs as compared to previous year income of Rs.110600.15 lacs showing an increase of 9.09% compared to previous year. This has resulted in an increase in PBIDT for the year which stood at Rs.15881.61 lacs compared to Rs. 14586.89 lacs in the previous year. In spite of an increase in finance cost, after suitable provision for depreciation and amortization expenses, PBT for the year was Rs.2533.26 lacs compared to Rs. 2169.90 lacs in the previous year. This showed a marginal growth. However, after making a provision of Rs. 488.84 lacs for tax and tax adjustments for the year; the net profit (PAT) for the year was Rs.2044.42 lacs as compared to Rs.960.17 lacs in the previous year.

### Current year's performance:

Though demand from telecom sector increased marginally, due to macro economic factors overall markets have not shown a significant growth. Your Board has taken necessary safe guards to increase sales from other non-telecom areas. The efforts are giving returns and barring unforeseen circumstances, it is believed that the current year's operations will be satisfactory. The Management Discussion and Analysis section of the Annual Report envisages future areas of business growth.

### Dividends:

Your Directors are pleased to recommend a dividend of Rs.0.15/- per equity share of Re.1/-fully paid up share @15% (Previous Year 15%) for the Financial Year 2012-13, subject to the approval of the members at the ensuing Annual General Meeting. The proposed dividend including Corporate Dividend Tax will absorb Rs.441.06 lacs.

### Investment/divestments in Subsidiary/ Joint Venture/Associate Companies/LLP's:

#### Agile Electric Sub-Assembly Private Limited:

During the year your Company continued to hold its shares in Agile Electric Sub-assembly Private Limited during 2012-13. However, since the date of Balance sheet, the Board of the Company decided to sell the entire stake held by the Company in its subsidiary, Agile Electric Sub Assembly Private Limited to certain Private Equity investors in order to mobilize cash resources for its core operations. The transaction is expected to be completed shortly.

#### HBL America Inc:

During the year, your company has invested an amount of Rs. 28.11 lacs (USD 50,000) in its Wholly Owned Subsidiary in USA under the name HBL America Inc. and the total investment was Rs.223.99 lacs.

**SCIL Infracon Private Limited (SIPL):**

During the financial year 2012-13 the performance of the company was affected by an unjustified stoppage of workmen of the company from October 2012. After exhausting all means of fair discussion and negotiations, the matter was referred to Labour Department, Government of Andhra Pradesh. The conciliation proceedings convened by the Deputy Labour Commissioner and Joint Commissioner have failed. The matter is pending before the Authorities.

Operations in 2012-13 reflected only first six months compared to a full year in 2011-12. Even during the first six months, severe power shortages in the state, order availability on time resulted in production and supply below break-even. As a result, financial results for the year showed a down trend. Presently there are no operations in SIPL and the Board of SIPL is considering various alternative options.

A legal suit was filed by Mr. K Gyan Sagar (Promoter of SCIL) and Shakti Concrete Industries Limited (SCIL) against HBL and Others in City Civil Court, Hyderabad for an arbitration petition. Claim of Petitioners is non-receipt of a consideration of Rs 188.30 lacs for shares sold by them. As informed by HBL's legal counsel, the claim prima facie is not tenable as the petitioners are making a claim for consideration already received. The case is pending before the Honourable Court.

**Autotec Systems Private Limited**

During the year, your company disinvested its shareholding of 171216 shares in Autotec Systems Private Ltd (ATS), Bangalore, bought back by its (ATS) promoters.

**Interest Free Unsecured Loan from Holding Company, Beaver Engineering & Holdings Ltd. (BEHL)**

During the year, the Holding Company (BEHL) raised Equity and Preference Shares aggregating to Rs.150 crore including a premium of Rs.149.74 crore. The Company requested its Holding Company to make an Inter Corporate Loan of Rs. 120 crore for the purpose of Working Capital/repayment of Term Loans. As the funds raised by BEHL are non interest bearing, the Holding Company placed Rs.120 crore with the Company as Interest Free Inter Corporate Loan for a period of 5 years.

**Events after Balance Sheet date**

Subsequent to the date of Balance Sheet, on 7-4-2013, there was a fire accident in one of the factories of the company resulting in immense damage to Factory Building, Plant & Machinery and loss of property in the nature of Furniture & Fixtures, Inventories etc., and also the records relating to Production/Finance & Accounts. The loss was provisionally estimated at Rs.393 lacs. However, the risk is fully covered by Industrial All Risks Policy and the claim was lodged and the insurance company made an 'on account' payment of Rs.100 lacs. In the opinion of the Management, this accident has no impact on the financial position as on 31.3.2013 as it had occurred subsequent to the Balance Sheet date.

**Directors' Responsibility Statement:**

In compliance with the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record -

1. That in preparing the Annual Accounts, all applicable Accounting Standards have been followed;
2. That the Accounting Policies adopted are consistently followed and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the Financial Year and the Profit and Loss Account of the Company for the Financial Year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing / detecting fraud and other irregularities; and
4. That the Annual Accounts have been prepared on a Going Concern basis.

**Corporate Governance:**

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled "Report on Corporate Governance" is attached to the Annual Report.

**Consolidation of Accounts**

In accordance with the requirements of Accounting Standards AS 21 read with AS 27 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the company and its Subsidiaries/ JVs are annexed in this Annual Report.



In view of general exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956 vide its General Circular No.2/2011 dated 8th February 2011, companies are exempted from the provisions of section 212 of the Companies Act 1956 subject to fulfillment of conditions therein. Accordingly, the Board has passed required resolution in respect thereof for not attaching the Balance sheets of the following subsidiary companies:

1. Agile Electric Sub-Assembly Private Limited
2. SCIL Infracon Private Limited
3. HBL Suntech LLP
4. HBL America Inc.
5. HBL Germany GmBH, Germany

Hence, in this annual report, the audited financial statements (standalone and consolidated) prepared in compliance with the applicable Accounting Standards, Listing Agreements prescribed by SEBI, have been attached and no individual Balance sheet or other information of subsidiaries is attached or disclosed except to the extent of the information as required to be disclosed under the condition (iv) of the Circular No.2/2011 dated 8th February 2011.

The Company undertakes that the Annual Accounts of the subsidiary Companies and the related detailed information will be made available to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the subsidiary companies will also be kept open for inspection during business hours at the registered office of the Company.

#### **Auditors' Report:**

The Board has considered the observations/ queries as raised by the Statutory Auditors and the explanations are as under.

##### **Our comments on the financial statements for the year are as under:**

*Reference is drawn to Note No.30. The year end balances appearing under the heads referred to therein are subject to confirmation / reconciliation and consequential adjustments, the impact of which is not quantifiable by us.*

**Our reply:** The Company has a practice of sending confirmatory letters every year to all parties. The company has circulated confirmatory letters to various parties during the year. Some of them have not responded in time. Such letter says that the balance is deemed accepted or confirmed if no reply was received in stipulated time.

*Reference is drawn to Note No.8.1 regarding disclosure made under section 22 of the MSMED Act, 2006 which is as compiled by the management. Further, the company has neither paid nor provided the applicable interest on such dues from the date the MSMED Act came into force and the amount of which is not ascertained.*

**Our reply:** Some of the vendors who come under the MSMED Act 2006 have been associated with the company for a long time and have a continuous business relationship. The company is usually prompt in servicing these vendors as per mutually agreed payment terms. In view of such longstanding relationship, no claims were received by Company. Interest payment if any will be treated on cash basis. We believe there will not be any impact of this non-provision.

*Reference is drawn to Note No. 31.9. The Company has not complied with the requirement of disclosures to be made in terms of the Accounting Standard - AS-27 in respect of Company's interest in Assets, Liabilities, Income and Expenditure in the Joint Venture Company*

**Our reply:** The JV Company has since given audited balance sheet for the year ended 31 December 2012 (which is financial year of the company in that country) and unaudited financial reports for quarter ended 31 March 2013. These reports have been used to prepared Consolidated Financial Statements.

#### **Directors:**

Mr. MSS Srinath, Director retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Ajay Bhaskar Limaye was appointed as Additional Director with effect from 14th February, 2013.

Pursuant to the provisions of the Companies Act, 1956 Mr. Ajay Bhaskar Limaye holds office upto the date of ensuing Annual General Meeting of the Company. The Board recommends his name for appointment as a Director at ensuing Annual General Meeting of the Company in accordance with the provisions of the Companies Act, 1956.



**Auditors:****Statutory Auditors:**

Joint Statutory Auditors M/s Satyanarayana & Co., Chartered Accountants, Secunderabad and M/s. Rao & Kumar Chartered Accountants, Visakhapatnam, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. Audit Committee has recommended for the re-appointment of Joint Statutory Auditors at the ensuing Annual General Meeting. The Company has received a letter from the respective auditors to the effect that their appointment, if made, by the Company for the year 2013-14 will be within the limit prescribed under Section 224(1-B) of the Companies Act, 1956.

The Board of Directors recommends their re-appointment.

**Cost Auditors:**

Your company proposes to re-appoint the cost auditors M/s K. Narashima Murthy & Co., Hyderabad, subject to the approval from Central Government.

**Personnel & Industrial Relations:**

Your Company continues to enjoy cordial relations with the employees.

No employee of the Company was in receipt of remuneration during the financial year 2012-13 in excess of the sum prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended from time to time.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo:**

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure hereto.

**Acknowledgements:**

Your Directors take this opportunity to thank all the Company's Bankers and Financial Institutions, the concerned Central and State Government Departments, Agencies for their support and co-operation to the Company. The Board has special appreciation for the employees for their dedicated services.

The Board of Directors also thanks all its Shareholders for the confidence reposed in the Management.

For and on behalf of the Board

Place: Hyderabad  
Date : 14th August 2013

**Dr. A J Prasad**  
Chairman and Managing Director



## ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR 2012-13

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

- A. Conservation of Energy:** Energy saving devices such as re-cycling of heat and use of alternate sources of energy like solar energy/fuel oil are being implemented wherever possible.
- B. Technology Absorption:** We have in-house R&D facilities. We may avail the Consultancy Services from overseas experts for strengthening our technology, as and when needed. We are in the process of absorbing the technology so developed and improved further.
- C. Foreign Exchange Earnings and Outgo:**

(Rs. lacs)

Sl.No.	Particulars	2012-13	2011-12
<b>1</b>	Value of Imports on C.I.F.		
	Raw Materials, Components & Spares	<b>31988.43</b>	22410.58
	Capital items/ Equipment	<b>523.76</b>	1365.75
<b>2</b>	Expenditure in Foreign Currency		
	Commission	<b>202.64</b>	281.50
	Traveling expenses	<b>92.37</b>	109.68
	Royalty	<b>56.73</b>	42.83
	Professional charges	<b>76.66</b>	33.76
	Technical Know How	<b>0.00</b>	79.35
	Marketing Expenses	<b>43.88</b>	79.79
	Others	<b>32.21</b>	18.22
<b>3</b>	Investment in subsidiary	<b>28.11</b>	195.88
<b>4</b>	Foreign Exchange Earnings		
	Export sales	<b>25963.24</b>	22604.89
	Services	<b>944.71</b>	40.33

For and on behalf of the Board

Place: Hyderabad  
Date : 14th August 2013

**Dr. A J Prasad**  
Chairman and Managing Director